

Testimony

Before the Joint Hearing of the Senate Committee on Small Business and Entrepreneurship and
the Senate Committee on Indian Affairs

The Honorable John F. Kerry and Daniel K. Inouye, Chairmen

Small Business Development in Native American Communities:

Is the Federal government meeting its obligations?

and

The Native American Small Business Development Act

By

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April 30, 2002

Introduction

I am Tom Hampson, Executive Director for ONABEN: A Native American Business Network. I would like to express my appreciation to Senator Cantwell for allowing me the privilege of addressing you and for co-sponsoring the The Native American Small Business Development Act. I also want to thank Senators Kerry and Inouye for holding these hearings on an initiative, which I believe, is essential to the long-term viability of the Native American communities and their economic base. I wish to acknowledge the dedication and vision shown by Senator Johnson and the other co-sponsors on the Senate and House side.

Let me begin by giving my comments some context. ONABEN: A Native American Business Network is a not-for-profit 501-(c)-3 corporation founded and managed by federally recognized Indian tribes and Native American business owners. We are located in Tigard, Oregon and serve most of the Native American communities in Oregon, and some of the communities in Washington, Idaho and parts of northern California. We offer training and technical assistance services to people with dreams of self-employment, self-sufficiency, and individual self-determination

Our clients reside on and near reservations and in urban areas. In Oregon, we are second only to the Oregon SBDC network in the number of clients we serve with instruction and technical assistance. We receive funding from SBA, the State of Oregon, a micro-enterprise network, and a number of private foundations and corporations. We provide classes, counseling, and business development services for people in every stage of the business life cycle from pre-venture to advanced. We work closely with the SBDC's who have centers in our service areas and with sister minority service organizations throughout the state and the northwest. Our service delivery model and our content is time proven. We celebrate the 10th anniversary of our incorporation this year.

Given our structure and the environment in which we operate, we approach service delivery as a collaborative process. The Native American Small Business Act mirrors and affirms our approach to small business development. The staff and leadership of the Committee on Small Business has done an excellent job of listening to the practitioners and have crafted a bill that encourages collaboration among service providers.



My written testimony provides details of the performance data by which we measure our impact on the people and the communities we serve. Our results illustrate what can be achieved when meaningful assistance is given to people who have dreams born of the American free enterprise system.

I would like to reflect on the question you have asked: “Is the Federal government meeting its obligations?” Given the rhetorical nature of the question, I will frame my comments in terms of a few questions of my own, a result of my 30 years of work in economic development in distressed rural and urban areas and Indian reservations.

Before we can discuss the issue whether the federal government is meeting its obligations in small business development I think we have to ask first. Is there anyone in Indian Country who cares? The way I choose to answer is by asking:

Is entrepreneur a dirty word to Native Americans?

Despite its origins with the French, the concept of the Native American as entrepreneur is not a foreign notion. Today, you will hear compelling testimony about the business skills of this continent’s original traders. Our clients talk of their fathers and grandfathers who were astute business people. Much of that acuity was lost or went unused due to the economic and social dislocation of Native Americans that accompanied the reservation period. There is no need to dwell upon it.

The history of white-Indian relations has cast a long shadow of suspicion on the concept of “let’s make a deal!” Contemporary attitudes of Indian people towards business represent a significant barrier to the individual who chooses a self-employed lifestyle. Given this history we often find a prejudice within the community against business, at least business done by individuals. Business is often characterized as a less than an honorable profession. As more and more people start businesses this attitude is changing. When businesses fail, the attitude is affirmed.

This is our collective challenge. The Native American Small Business Development Act itself can be a catalyst for change. How? The answer to the question returns us to your original query.

Is the federal government meeting its obligations?

I’m sure the answers to this question vary widely among the members of these committees. I suppose the more fundamental question that you have debated is: what, if any, is the role of government in enterprise development? Such a question is often phrased by some of the more testy members of my Rotary Club as:

Is government-sponsored free enterprise an Oxymoron?

It may give you comfort to know that such questions are also asked by citizens and politicians all across Indian Country. The answers also vary greatly.

Our clients, known to their tribal councils as people who tend towards independent thinking, often criticize their governments for an anti-business attitude or, they feel that not enough is being done to create a pro-business environment. Sound familiar?

Like you, we must walk a fine line. Our clients are small business owners, but our primary stakeholders are the tribes who sanction, support, and govern our activities.



But for us there is a way out of this dilemma. For our clients, the issue is not that the government shouldn't be doing business development. It is that the tribe is not or cannot do enough to help them. The tribes look to ONABEN to help solve this problem. We look to our stakeholders, which include the federal government.

When tribes do offer small business assistance the services are welcomed, and as our performance data indicates the outcomes are substantial. I would like to stay a bit more on this topic because I think it highlights the need for careful implementation of the federal policies that the Native American Small Business Development Act exemplifies.

How can tribes, with their strong communitarian values simultaneously encourage tribal enterprise and individual free enterprise?

Interestingly, tribal enterprises are not often seen in the same skeptical light by the Native American community, although the people that run them are sometimes judged harshly. This brings up the concern that in the Native American Small Business Development Act funding is provided to tribes to assist tribal as well as individual enterprises. That is as it should be. The small business center managers in our network spend equal amounts of time working in tribal enterprise development and helping individual tribal members pursue their entrepreneurial dreams.

The Bill should direct by policy an even split in the priority use of the funds by tribal governments such that individual enterprise is given equal time and attention.

If tribes are becoming more successful as corporate enterprise managers, why is it necessary to encourage individual free enterprise?

Tribes are increasingly recognizing the importance of economic diversification not only in the variety of industries but in the forms of ownership. Most importantly tribes are recognizing that more and more of their members are looking to small business as a viable livelihood.

This is the underlying principle of ONABEN. ONABEN was not the result of free enterprise advocates seeking to make tribes adopt individualistic value systems. We were the creation of tribes whose leaders felt that tribal economies needed both a strong public and private sectors. A tribe and its members should be entrepreneurial in nature with healthy and sustainable forest, mineral, fishing enterprises, casinos and resorts, and lots of private businesses to support them. This is consistent with tribes' communitarian values because tribal governments and their enterprises exist to help their members prosper.

This is also a classic rural economic development model that underpins the philosophy of the SBA's Small Business Development Program. It stands to reason that tribes, as emerging economic engines in many of our rural areas, should receive the same benefits of the federal small business development strategy enjoyed by their non-Indian neighbors.

How can tribes be encouraged to take such a balanced approach to diversification?

Like governments everywhere, tribal governments experience strong pressures from their citizens to serve a wide variety of needs with scarce resources. Tribes benefit from incentives to invest in a given strategy. The incentives can come from within and from without. The history of ONABEN represents an example of tribes initiating a strategy for business development that our federal, state, and private sector partners embraced. With the resources made available by the



Native American Small Business Act to fund small business centers on reservations these efforts can be replicated in many areas and in innovative ways.

In our experience many tribes have not been able to make a full commitment to a small business center and have looked to ONABEN to provide the entire service package. This always works for a while but inevitably leads to gaps in service as our funding rises and falls. The Act as proposed would go a long ways towards smoothing these peaks and valleys through direct funding with tribal small business development centers.

Undoubtedly, there will be situations in which tribes will be unable, or disinclined to make the investment in a center of their own, even though there are individual Native Americans on their reservations who want help in exploring and launching their enterprises. In these cases, neighboring SBDC's in partnership with tribal colleges and tribally-sponsored intermediaries like ONABEN can provide training and technical assistance on a network basis if resources are made available to support these efforts.

Our experience in Washington State underscores this point. Over the years we provided services to tribes at Colville, Yakama, Makah, Chehalis and others. When we have the resources we can respond to the need. When those resources became unavailable the programs faltered. The Confederated Tribes of Colville and the Yakama Nation have plans to restart the small business centers, and look to us to provide content and technical assistance. The Native American Small Business Development Act can be the catalyst for the realizations of these plans through direct service or through collaborative efforts by multiple service providers.

How do we know? Because there are working examples of this kind of collaboration in Oregon, Washington, and Idaho. These efforts provide answers to the central question of these hearings.

What is the Federal obligation and how can it be fulfilled?

Tom Dorr runs a very successful SBDC at Western Washington University. Tom has targeted eight area tribes for small business assistance. He was able to seed this effort by obtaining an SBA LINC project. Otherwise he could not have made the effort with the resources at his command. He has now hired a Native American coordinator who is creating innovative service models tailored to the special needs of the Native American entrepreneurs in the area.

Jill Thomas-Jorgenson, SBDC Director at Lewis Clark College in Lewiston, Idaho is working in concert with ONABEN and the Nez Perce Tribe of Idaho to forge a partnership to serve local Nez Perce entrepreneurs. The Nez Perce Tribe asked us to help. We asked Jill to be a part of it because we knew she had done outreach to the tribe and because we knew we would not be able to sustain any effort we started without additional resources.

We were able to help this effort because received a one-year SBA 7-J grant to do demonstration projects in Washington and Idaho. That project lead to partnerships with the Nez Perce, the Shoshone Bannock of Fort Hall Reservation, the Affiliated Tribes of Northwest Indians, Yakama Nation, and Eastern Washington University.

The grant is over. The interest and the need remains. The viability of the model was proven. What we also proved was that without sustained support on the federal, and local level, the program services will be intermittent at best. This is not the kind of meaningful, culturally appropriate assistance we want to be providing.

In our case, the discussion of the federal role in small business development must include an acknowledgment of the Small Business Administration and the role they have played in



supporting our pioneering efforts. Simply said, without the SBA, ONABEN and the tribal centers in our network would not exist. The government's role is proven critical by their initiative, heart, and continued support.

The federal obligation, in our judgment, is to make investments in its citizens that they can return. The economic impact data in the appendices shows that small business services are cost effective and realize significant return on investment through taxes paid.

The federal obligation is to support communities so they can grow and prosper. Native American communities have shown their potential for realizing sustainable development. The Native American Small Business Development Act can be an important incentive.

There are at least two more concerns that inform a discussion of obligations. One is the obligation, if any, of our government to serve the poor, and the obligation to those who have treaties with the federal government.

Does the federal government have an obligation to provide a safety net for its most vulnerable citizens?

I think most of us would answer the question with a "Yes." and then argue about the dimensions and features of the net. As we move into a new tier of welfare reform, I think it is important to note that self-employment or micro-enterprise as it is now called, is increasingly being acknowledged as a viable strategy for welfare-to-work programs.

We have found that many of our clients require basic financial literacy skills as a prerequisite to their exploration of the self-employment option. We have added this curriculum and train trainers all over the northwest in partnership with Fannie Mae and First Nations Development Institute, as well as SBA.

And the Federal Trust responsibility?

It is neither my place nor my expertise to discuss the federal trust relationship with respect to SBA and the Tribes, except to say that they have been very responsive where they have the legislative authority to do so. The Act gives them the authority and the resources to do much more.

If you believe that the federal government has an obligation, or if you think obligations aside, it is a good policy for the government to invest in its enterprising citizens, then the SBDC model is a strategy that makes sense because it has a proven rate of return in tax revenues and benefits to the communities in which SBDC's operate.

Many will tell you that the federal trust responsibility for Indian tribes is compelling reason enough to provide equivalent services to tribes. Our clients will tell you that it just makes sense. Dollars and sense.

It will be up to the tribes, the SBDC's, the tribal colleges and organizations like ONABEN to step up and make the investment of time, heart, and resources. This has the power to bring the communities--tribes and individuals, tribal nations and their neighbor communities together. It is a vision that you have embraced with this bill. On behalf of the board of directors of ONABEN and our member tribes I applaud you and stand ready to assist in making it work. Thank-you.